

FD. ARD 271
80917

**COMMERCIAL PRODUCTION AND MARKETING
PROJECT**

CONTRACT NUMBER 645-0229-C-00-9019

END OF TOUR REPORT

SUBMITTED TO:

**MINISTRY OF AGRICULTURE AND COOPERATIVES
MBABANE, SWAZILAND**

AND

**THE UNITED STATES AGENCY FOR
INTERNATIONAL DEVELOPMENT
SWAZILAND MISSION**

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AUGUST 15, 1989 - NOVEMBER 30, 1992

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SECTION I INTRODUCTION

"End-of-Tour" reports are often merely a detailed rehash of what happened during the tenure of a particular specialist on a project. This report will attempt to supply the reader with the types of information which will be of value in better understanding the CAPM project as well as providing insight and ideas for shaping the future direction of the project.

The author served as the CAPM Chief of Party from August 15, 1989 through November 30, 1992. The report is being directed to appropriate officials in USAID, MOAC, and Chemonics who have been or will continue to be involved in the development and implementation of the CAPM project.

This "End-of-Tour" report highlights many issues and constraints which have slowed the CAPM projects progress in meeting it's original goal and purpose. At the same time the author will make recommendations and suggest courses of action which might in some cases alleviate particular constraints or address outstanding issues. The success or failure of the CAPM concept in Swaziland will, without doubt, have a major impact on the intensity of continued commercialization of small-scale horticulture production in Swaziland.

There will be no attempt ^{to} summarize or even list all the reports, tours, tasks, retreats and other activities which have been carried out under the CAPM project during the past three and a half years. Anyone who has been closely associated with the CAPM project knows that reams of this type of documentation already exists, and can be easily obtained through the CAPM field office.

SECTION II BACKGROUND AND OVERVIEW

The fundamental premise of the original CAPM design was that if the policy and program environment in Swaziland is improved and agribusiness development is facilitated, commercialization of agriculture will occur. After nearly one and a half years of project implementation, it was clear that the original design was not working. The "carrot-on-the-stick" approach to stimulating commercial agriculture development was not producing the desired results. Although the earlier phase of the project generated a wealth of data and sound analyses, which did update original CAPM design assumptions, it became obvious to all those associated with the project that a major redirection would be necessary.

The redirection of the CAPM project became reality with the signing of the Project Grant Agreement, and Contract Amendments at the end of 1991. The redirection resulted in changes in the projects: End of Project Status (EOPS); implementation strategy; inputs; as well as outputs, which were required to achieve the original goal, which was "to increase the agricultural sector's contribution to the national economy".

The new implementation strategy which characterized the redirection included the following thrusts:

- o Providing training and direct technical assistance to enhance linkages between small scale farmers and private sector Swazi marketing firms; concentration of efforts on fresh horticultural production and marketing
- o Penetration of domestic, regional and export markets
- o Demonstrating the viability, sustainability as well as replicability of the concept of linking Swazi fresh produce marketing firms directly to commercial Swazi horticultural producers through programmed production

Operationally, the new strategy required recomposition of the CAPM technical assistance team, and an extension of the termination date of the technical assistance contract. This was finalized and initiated between December of 1991 and January of 1992. By February of 1992, a Life-of-Project Workplan had been developed and necessary staff hired and fielded.

SECTION III ISSUES AND CONSTRAINTS

A. Introduction

There have been numerous issues and constraints which have hindered and slowed the overall progress of the CAPM project in achieving its original goal and purpose. In this section, the most notable issues and constraints will be identified and recommendations made on how to overcome and deal with them in the future.

B. Tradition

The CAPM primary baseline and other studies revealed many aspects of traditional Swazi life including attitudes toward commercialization of agriculture of homestead dwellers. What the surveys brought out was a strong emphasis on production for home consumption, particularly of maize, competition between seasonal grazing requirements, early planting of field crops, and holding homestead rights as security for retirement rather than for current production. Many homestead occupants are rural dwellers who may not be interested in commercial farming.

Nonetheless, the CAPM project has been able to identify Swazi farmers who have been producing for sale in the market and are interested in expanding, as well as those eager to become commercial farmers. After the winter season of 1991 - 1992, the project began to realize that it was necessary to be more selective in identifying cooperators from an ever increasing pool of farmers who wanted to become part of the program. During the winter 1991-1992 production program, it was found that a number of potential cooperators entered the program without fully understanding the implications of producing for much larger competitive commercial markets, in contrast to producing as they had been for neighborhood and other local markets. The concept of selling larger volumes at, in some cases substantially lower prices per unit, caused a few of the more traditional cooperators to have second doubts about CAPM. Fortunately there was a simultaneous inflow of more commercially orientated farmers who were enthusiastic about becoming part of the CAPM program.

In spite some of the traditional constraints which exist in rural homesteads, Swaziland already has over 1,700 small-scale horticultural producers, many of whom are commercially motivated, and willing and able to take the risks associated with commercial horticulture production.

It became apparent during the early implementation stages of the redirection that some of the traditional business views have, in some cases, influenced the "commercial orientation" of the Swazi company owners and managers. The financial, technical and competitive risks of managing a fresh product business require that management respond rapidly and effectively to take advantage of available windows of opportunity. This first season's experience has shown that company management is not always in a position, or willing, to take the risk in responding to farmer and market needs as would be expected in a highly competitive and time sensitive business. The one-on-one direct technical assistance which is currently being provide to each firm should, with time, help overcome these traditional perspectives of doing business in Swaziland.

C. Transport

Transportation was identified at the February 1992 CAPM retreat at the number one priority area of opportunity for new private sector development, but at the same time it was identified as a major constraint. It was suggested that CAPM convene an investigative group or employ a consultant to study transportation issues as this constraint is a significant obstacle to the development of Swaziland's horticultural industry. The study or investigative group was not acted upon.

The transportation issue presents an opportunity for the project by making use of available excess back-haul trucking capacity to reef markets. On the other hand there is less than adequate transportation infrastructure from the farm gate to central consolidation point. Another interesting finding from the 1991-1992 winter season was the fact that during peak periods of production, transportation coordination became much more reliable and dependable. It was in the early and late periods of the growing season that transportation coordination became a real constraint, because the amount of available produce didn't warrant sending a truck to a particular location. The overly simplified solution to this constraint is to program enough production from given areas to maximize the volume of product being handled throughout the season.

A golden opportunity exists for programmed production to be shipped to the reef markets on back-hauls. The project was able to ship practically any volume with relative ease during the winter season as the trucks were returning to the markets in the Jo'burg area empty.

Once the farm gate collection and coordination problems are solved the reef markets can be expanded indefinitely. In relation to this NAMBoard currently operates a subsidized transportation system which is designed to facilitate on farm pick-ups of fresh produce. Although the size and type of trucks which are utilized are not ideal, the system has provided CAPM marketing firms and cooperating farmers with a system for collecting programmed production.

NAMBoard's system of transport has some major flaws and limitations. The primary weakness is the uncertainty associated with developing a small farmer based collection system under a subsidized regime. There are no assurances the subsidy will continue. In fact there is talk about doing away with the entire transportation complex at NAMBoard and using contract hauling to the private sector.

Secondary weaknesses in the transportation system as it presently operates at NAMBoard is related to the typical inefficiencies and lack of motivation in operating a parastatal transportation service. It was often difficult for individual firms to engage transportation services from NAMBoard to satisfy the farmers or the firms involved. The NAMBoard drivers are very inflexible as to when they will drive and adhere closely to a 9 - 5, five days a week schedule. This often adversely effects weekend harvest schedules. On a number of occasions, mature fruit did not fetch a premium price in the market as it would have if it had been shipped to market on the weekend.

The use of private vehicles, owned and operated by the Swazi marketing firms, is the obvious solution, but not easily addressed in the short term as most of the firms are experiencing financial constraints.

D. Nature

Natural disasters have plagued the redesigned CAPM project during 1992. The drought (the worst in a century); the frost in the middle veld (worst in living memory); and a severe hail storm in the middle veld (during November); all contributed to the wide variations in production which complicated marketing and slowed progress in instilling the concept of programmed production in individual farmers as well as CAPM cooperating marketing firms.

There is very little that could have been done to alter the above three natural occurrences. The project has decided to set up a drip irrigation demonstration to train small-scale farmers in water conservation methods. Otherwise small-scale horticultural producers are at the mercy of the vagaries of Swaziland weather patterns.

E. Land & Water

The size of individual land holdings can often be a production constraint, even if adequate water is available. CAPM participating farmers, especially on schemes, are faced with available land on plots as small as .5 hectares. Depending on the crops grown for which markets, this severe limitation on available land or water can result in sub-economic levels of production and marketing.

Land tenure can also result in constraints on how much investment a farmer is willing to make in establishing and maintaining irrigation infrastructure. The conditions of tenure can also result in water scheduling and weed infestations problems. The fact that some schemes have successfully dealt with these constraints and others have not should provide a learning opportunity by example. Observation tours or demonstration visits on these topics could be arranged, and held fairly often.

F. Grades, Standards, Documentation

Grades and standards of fresh produce in Swaziland have not been formalized but in practice are patterned after the RSA. Even for potatoes, the most widely consumed crop, there are no formal grades and standards. The idea of establishing some type of grading system needs to be explored, and if desirable, established in Swaziland.

RSA, as well as Swazi marketing firms are often accused of buying, selling, and some times, "dumping", second and third grade product on the local market. Some of the criticism is justified and is likely to continue until the market begins to be more discriminating in its demand for quality product and there are some grades and standards by which quality can be objectively measured.

The documentation process for exporting product into the RSA is very time consuming and inefficient if properly enforced. Each step of the documentation process should have a reason for taking place or it should be eliminated. Phytosanitary inspections should be more than just a paper shuffle which is all it appears to be at present. The number of ministries and organizations involved in the process needs to be reduced. If an exporter can minimize the time and complexity of this process the more likely they will be to comply with the necessary regulations. A short-term consultancy could analyze the various aspects of documentation and make recommendations on ways and means of streamlining the entire process in order to make it more effective and beneficial to all.

G. Seedlings & Seed

Procurement of vegetable seedlings was a major constraint at times during the past winter season. The two major suppliers in the RSA, (Pangola, White River) were not always prepared to supply adequate numbers of various seedlings. Admittedly CAPM staff, farmers and firms were not always in the best position to give the nurseries accurate demand figures with enough advanced notice, thus creating some of the shortages.

With the establishment and recent expansion of a Malkerns based modern seedling production facility everyone should be better off next season. The local facility will allow for much better communications and coordination between CAPM staff, cooperating farmers and marketing firms in matching seedling demand with supply.

The drought has caused some sourcing problems for particular varieties of vegetable seed. The cooperation with local seed suppliers has minimized this problem. However, on a couple of occasions the project brought in U.S. produced seed. Most of this seed was used for trials and will be made available in Swaziland from local suppliers if the demand warrants the purchase of U.S. seed. RSA seed producers work in close collaboration with their U.S. counterparts in keeping abreast of the latest varieties which are currently in demand.

H. Finance

In general, adequate financing has been available for firms and farms to carry out their production program. There are, however, variations and limitations depending on the area, the particular firm involved, and the amount of CAPM involvement in the process. Up to now, Swazi Bank has been the primary source of financing for project participants. Swazi Bank has an excellent pay back record, especially compared to similar types of institutions in developing countries.

Swazi Bank has been willing to make experimental "non-collateralized" loans on a limited basis. To date the pay-back on these loans has been very acceptable. The likelihood of the continuation of this program is currently being reviewed and decided by Swazi Bank officials. CAPM needs to encourage the further development of this concept.

The CAPM project staff has been working very closely with farmers, marketing firms, and Swazi Bank officials in developing cash flow projections and loan packages for submission to the bank for financing. This process now needs to be turned over to the bank so that their own staff will be able to generate the appropriate financial information for their clients. CAPM has standardized crop budget and spreadsheet calculations which needs to be handed over to Swazi Bank officials. Training would need to take place over a period of time to ensure that the standardized financial software is properly utilized.

An additional idea which has been discussed recently, would be for Swazi Bank officials to analyze the feasibility of locating one of their branch managers in an office at NAMBoard facilities at Nakwane. This would give the manager easy access to a large number of farmers and CAPM associated marketing firms at NAMBoard's facilities. Discussion on this possibility need to be made to MOAC, NAMBoard, and well as senior Swazi Bank officials.

Discussions are also underway with a Swazi consulting firm which has an interest in providing these financial services for a fee, to both farmers and firms. CAPM needs to assist with the training of the staff of this firm so as to encourage the private sector to take over where CAPM was previously involved.

I. CAPM Field Staff

During September 1992, CAPM staff members participated in an internal assessment. One of the issues which was raised and discussed at length was the relationship between the CAPM field staff and the CAPM participating marketing firms and farmers. There were concerns raised regarding clarification of tasks which were currently being carried out by CAPM field staff members, either by themselves or in conjunction with farmers and marketing firm staff. It was agreed that for sustainability of the CAPM concept, it would be necessary to eventually turn over all the necessary tasks to the firm management, firm field personnel or the farmers themselves.

One suggestion was that CAPM consider the option of assigning field assistants directly to a particular CAPM cooperating marketing firm and have that individual work from within the firm and on behalf of the firm as a field assistant. The assistant would provide technical assistance to the firm(s) associated farmers exclusively. The pros and cons of this suggestion were surfaced and discussed during this assessment. No final decision was reached regarding this possibility, but there was a consensus among staff that the idea needed to be pursued more fully.

The idea of attaching the field assistant directly to a particular firm has some of the following advantages:

- o Field assistants can begin to think about eventually "working themselves into a job", rather than "working themselves out of a job", as currently is the case
- o Firms will have some direct control over the field activities which CAPM is facilitating, as well as having a chance to better understand the cost and benefits of having a trained field assistant as a permanent part of the firms staff
- o Farmers will relate directly with one field assistant and one firm

Having the field assistants line of responsibility directed related to a specific firm, CAPM's senior technical staff and management would be able to concentrate more on the technical assistance and training aspects of the project. This would increase the likelihood of CAPM being able to create sustainable levels of competencies within the group of cooperating farmers as well as within the firm.

On the other hand, some of the disadvantages of the attachment process would be:

- o Cooperating farmers would be more locked into producing for only one firm, possibly reducing competition in the short term
- o Firms would have to be in a position to accept a field assistant and provide some of the management direction and guidance which had previously been provided by the CAPM project staff
- o Field assistants would be working on behalf of only one company which would not permit him or her to work with other firms as in the past
- o Field assistant's selection of farmers might be dictated in part by the firms likes or dislikes for that farmer or area of the country, thus not allowing free access to the program
- o Firms without a field assistant could consider themselves at an unfair advantage in the local procurement process
- o Field assistants could be pressured into handling financial matters such as making cash payments to farmers in the field
- o Field assistants would probably base themselves with the firm therefore losing much of the direct day to day farmer contact which the current area approach provides

As can be seen, the issue of changing the role of the field assistant by attaching them directly to the firm has major implications for all the players involved in the CAPM project. The issue is, however, central to the future development of the project and will no doubt effect the likelihood of sustainability of the CAPM concept after CAPM resources have been withdrawn from the system.

J. Company Structure & Ownership

The issue of company structure and ownership has come up fairly often throughout the development of the project. Everyone is in agreement that the structure and ownership patterns of each of our cooperating firms varies greatly. During recent months it has become apparent that some of our firms are not operating on a firm financial footing. As a result some restructuring and increased involvement and ownership by RSA interests has been considered. The issue of how much of an equity position has to be controlled by Swazis' and the degree to which management and technical responsibility for the firm can remain in the hands the RSA investors.

The issue is probably not one which can be resolved with a hard and fast set of criteria. While the Swazi firms' continued existence would be put in jeopardy without this RSA involvement, the resolution of this issue becomes even more complicated for CAPM.

Currently the marketing department is putting together a short briefing paper on the current status of each of CAPM's cooperating marketing firms. This paper should provide some insight into furthering discussions concerning this fundamental issue i.e. firms which we should and should not be working with.

The three business plans, which are currently being finalized, should also provide some of the necessary data to allow everyone to make an informed decision regarding the status of our cooperating firms and our relationship with them.

K. NAMBoard

NAMBoard has become an increasingly more important institution to CAPM as the project has progressed. The importance of NAMBoards Fresh Produce Market at Nakwane, extends to CAPM's involvement with three of the four firms currently operating within its facilities. The future success or failure of NAMBoard is, without doubt, tied to the likely success or failure of CAPM. From the time of the first retreat, which was held shortly after the redirection amendment was signed, (December 1991), CAPM staff have been having regular discussions with appropriate MOAC and NAMBoard staff concerning cooperation and coordination of our activities.

To date, most people involved with the two programs will admit that there has been, and continues to be, substantial ongoing communication. The current uncertainty facing NAMBoard with the Steppe report still "out" makes it difficult to ascertain the future relationships will be.

Recognizing the importance of continued collaboration between CAPM and NAMBoard, it is recommended that an action analyses be undertaken by a short-term consultant funded by CAPM and jointly managed by appropriate MOAC, NAMBoard, and CAPM personnel. The purpose of the consultancy would be to follow-up with appropriate actions outlined in the Steppe report as well as undertaking additional analyses and action as deemed appropriate by the joint management committee suggested above. The end product would be a realignment of roles and responsibilities between CAPM and NAMBoard with the view of creating a mutually beneficial working relationships.

L. Irrigation

Irrigation technology affects almost every aspect of the CAPM project. Cooperating CAPM farmers belong to traditional schemes, as well as owning and operating their own systems on both Swazi Nation Land and title deeded land. The responsiveness of farmers from schemes, and of independent irrigators to the CAPM concept of programmed production has varied greatly. However, it is apparent at this time that the relatively larger individual farmers seem to be responding to the program more aggressively than typical scheme producers.

There are a myriad of reasons to support the assumption that larger, independent irrigators respond more readily to programmed production. Whether the assumption is correct or not, the issue is important enough to warrant a closer in-depth look at the various factors involved. The conclusions from such analyses could set the stage for a re-focused approach to the selection process which companies will need to develop and utilize in selecting the farmers which will eventually form their core group of cooperators.

Many of the constraints faced by scheme producers are related to the amount of land which is available to any one individual in the scheme. Each scheme also varies in its approach to the amount of land allocated per person, how water is scheduled, how unproductive scheme members are dealt with etc.. Likewise independent individual irrigators each have their own set of constraints such as: amount of available finance; amount of available water, type and condition of the irrigation system in use; location of production in relation to markets; condition of access road etc.. Ownership of land versus the allocation of a plot might also be another factor to consider in the analyses.

M. Central Packing and Handling

One of the more difficult issues to come to grips with in the project has been whether to encourage centralized packing handling and grading or to continue with the present arrangement which is based more on a on-farm field grading and packaging system. There has been interest expressed from the private sector in setting up just such a centralized procurement and packaging center. At this point, interest has not come from our Swazi marketing firms.

There are pros and cons to encouraging the development of a centralized facility. Some of the advantages would be to: allow for more centralized coordination of production and handling; send a signal to farmers that by establishing a relationship with the centralize facility a long term relationship might evolve. Some of the disadvantages might be: that the distance between farmer and market might complicate communications; quality problems would need special consideration under a centralized packing system.

As with a number of other issues previously mentioned in this report, the development and establishment of a CAPM assisted central packing and handling facility would have a profound impact on almost every aspect of the project and how it operates at present. Careful analyses and discussion would need to take place before any support should be given to the concept.

N. Service Center

One of the central issues which has always been faced by CAPM is the issue of who will provide all the necessary services to cooperating farmers after the project is completed. The original concept papers were probably overly optimistic regarding the ability of the firms to be in a position to provide all the necessary support services by the end of the project. It has become apparent to those close to the project that the companies will probably not be in any position, in the short term, to provide any comprehensive package of support services. As a result, it is imperative that all the necessary services be defined and a method be identified for the full or partial provision of these services through the private sector or some combination thereof.

A compelling argument can be made for considering the possibility of tying some type of horticultural support service center into the NAMBoard facility. The center could include the provision of: financial services; technical production services; programmed marketing arrangements; real time market information; inputs; and other necessary support services. The center could be modeled on the idea of a horticultural/agribusiness service center. The center could consider funding directly from: those who buy or utilize the services; donor funding; GOS subventions; product import fees; market fees; or any combination of the above.

The new IFAD project might be in a position to provide some of the needed services (its currently being envisaged as a seven year project beginning in 1993). Discussions need to be continued with the various consultants who are involved in developing the new IFAD project.

The centralized service center also has implications for the handing over of the system of programming production. It might be better to consider a national system of programming production which would then be coordinated through cooperating firms. The firms could buy into the service in exchange for the opportunity to make a profit on the sales of programmed production. The economies of scale of a national approach to programmed production and sales might be more realistically undertaken at this stage in the development of the horticultural industry in Swaziland.

O. Project Management

It has been verbally suggested and discussed that the CAPM project set up a Senior Management Committee, with two representatives each, from the MOAC, USAID, and Chemonics. The purpose of the committee would be to bring all three parties together to enable a free flow of information and exchange of ideas. Issues could be discussed and decisions made regarding the operations of the project. Such a forum would allow for the review and approval or agreement on such issues as: reviews and acceptance of scopes of work, review of potential short term consultants, etc..

The establishment of a Senior Project Management Committee could best be accomplished through a project implementation letter, (PIL), between USAID and the MOAC. All three parties favored the idea when it was discussed at a meeting which took place in November at the P.S.'s office in the Ministry of Agriculture in Mbabane.

P. MOAC and CAPM

The level of cooperation and philosophical support which the CAPM project has received from the MOAC project under the redirection has been more than would normally be anticipated. The MOAC took a bold move in supporting the whole development process of the redirected CAPM project. For any ministry to give support to a rather "risky" private sector orientated project, which is physically located outside the ministry, isn't what one would normally expect. Senior MOAC staff not only supported the project but participated actively in its development over a period of years. If senior MOAC staff hadn't taken the initiative and made firm statement about the original CAPM project at the February 1990 CAPM retreat, the present redirection probably never would have taken place.

It is of paramount importance that the management of a project like the redirected CAPM project keep all lines of communication open. Failure to keep project participants on board with the development of the project will spell disaster for the project. Even though CAPM is a "private sector" type project it is still important that the supporting framework include active involvement of Ministry staff and officials.

The close relationship "out-in-the-field" between CAPM staff and MOAC extension service staff, is critical. CAPM was not designed to become an institution building project. The nature of the CAPM project necessitates that it be linked with the existing institutions so as to ensure long term sustainability.

SECTION IV
CLOSING COMMENTS AND THANKS

The author of this End of Tour report is very grateful for having had the opportunity to manage such an exciting and yet challenging agribusiness development project in Swaziland. Swaziland is unique in many ways, and is a shining light to private sector development in all of Africa. To have been a part of Swaziland's agriculture development for three and a half years was a remarkable experience which I will never forget.

The most important asset of any country is its people. In working with my Swazi colleagues I found a unique blend of respect for tradition and authority coupled with a fundamental understanding and appreciation of the free market system.

The USAID mission remained supportive of the CAPM project throughout my three and a half year tour. The mission was supportive and instrumental in initiating the change which culminated in the redirection of the project in 1991. It is my sincere hope that the project will continue to receive as much strong support, including the much anticipated extension.

Finally, I'd like to thank all of our home office support team and my field team who gave me the type of support and encouragement to go on, even when the going got rough. It is hoped that all of those who have been associated with the CAPM project over the past three and a half years will have good memories of their involvement. I wish the present CAPM team, with its new leadership, the best of luck in accomplishing the original goal and purpose of the project. May all of you be instrumental in "stimulating demand with quality Swazi produce."